

Internal Revenue Service
P.O. Box 2508
Cincinnati, OH 45201

Department of the Treasury

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Date: August 27, 2014

Employer Identification Number:

Contact person - ID number:

Contact telephone number:

LEGEND

UIL: 4945.04-04

X=
Y=

Dear :

You asked for advance approval of your scholarship grant procedures under Internal Revenue Code section 4945(g). This approval is required because you are a private foundation that is exempt from federal income tax. You requested approval of your scholarship program to fund the education of certain qualifying students.

Our determination

We approved your procedures for awarding scholarships. Based on the information you submitted, and assuming you will conduct your program as proposed, we determined that your procedures for awarding scholarships meet the requirements of Code section 4945(g)(1). As a result, expenditures you make under these procedures won't be taxable.

Also, awards made under these procedures are scholarship or fellowship grants and are not taxable to the recipients if they use them for qualified tuition and related expenses (subject to the limitations provide in Code section 117(b)).

Description of your request

Your purpose is to manage two distinct scholarship programs; a Job Training Scholarship Program and an Educational Scholarship Program. Each program is described below:

Job Training Scholarship Program:

You will award the job training scholarships to eligible individuals to help them gain a better education, to allow them to pursue a better-paying career choice, and to help the individuals lead better lives in hope that it helps bring them out of poverty.

The amount of the scholarships will vary depending on the cost of the training and the amount of donations you receive. The amount will vary year-to-year and individual-to-individual.

Scholarships will be publicized via direct contact in underserved communities as well as through the localities' local housing authority. Additionally, the scholarship form will be available online.

The individuals eligible to apply for a scholarship for a job training program are those who are low income (up to 80% of AMI based on Y MSA) applying for career specific scholarships. The individuals cannot be related to X or any X business partners and must reside in the Y Metro area. Further, some pre-selected programs have more stringent qualifications such as having a High-School Diploma/GED, being able to read/write at a specific grade level. These requirements are program specific, therefore the broad criteria to apply is listed above. Those individuals applying to a program with more detailed requirements will be evaluated based on the program's requirements.

You will form an independent selection committee that will review the scholarship applications and rank the individuals based on the type of scholarship requested. You will use the following to select recipients (in no particular order):

1. Employment history
2. Interview with selection committee member
3. Professional reference
4. Completed application
5. Applicant's ability to read and write English
6. Applicant's ability to complete all requirements of the program (the applicant will be able to attend all classes, get to and from training on time, meets the requirements of the selected program)

The amount of scholarships you award will depend on the program selected. You will pay 100% of the fee for the cost of the job training program. As the various preapproved programs cost different amounts, there will not be a set amount given to each applicant that is awarded a scholarship. The amount paid to the institution will be the amount of the fee of the program.

For job training programs which require completion of multiple classes, recipient must submit proof of passing (C or better) to receive additional funding.

For job training programs with ongoing requirements, recipients must submit proof of completion of passing to receive additional funds. You will request transcripts from all recipients for record-keeping purposes. If the recipient withdraws from the class(es) prematurely, the recipient will be ineligible for future award and the you will attempt to recover funds from the institution directly (if any full or partial refund is available). The recipient will never be financially liable to the Foundation.

The job training scholarship selection committee is comprised of three X employees.

The committees were selected based on their ability to be objective in respect to reviewing and selecting scholarship/grant recipients. Replacing members (including nomination and selection) of the selection committee will require a majority vote. You will not award any funds whatsoever to any past, present or future an employee, or business partner, or family member of your organization.

Educational Scholarship Program:

You will award the educational scholarship to assist low-income students pay for a two or four-year degree at an accredited institution with the hope that this helps them gain a better-paying job than otherwise would be attainable as well as help them succeed in life. The scholarships will be used to provide job training (for pre-selected programs in areas such as nursing, construction, and other vocational trades). The amount of the scholarships/grants will vary depending on the cost of the education and based on the amount of donations you receive. You expect this amount to vary year-to-year.

The educational scholarship program will be publicized via direct contact in underserved communities. Additionally, the scholarship form will be available online.

The individuals eligible to apply for an educational scholarship/grant are those who are current seniors in high school, have been accepted to a two or four- year program, come from low-income-families, and who are in the top 50% of their class. The applicants must also reside in the Y Metro area. The applicant cannot be related to any employee or business partners of X or your organization.

You will form an independent selection committee that will review the scholarship/grant applications and rank the individuals based on the following criteria (listed in no particular order):

1. Student's GPA and class rank
2. Two letters of recommendation from the school counselor/teachers/community leaders
3. Letter of intention from student
4. 200-word essay
5. Desired field of study
6. Financial need

The number of educational scholarships/grants made annually will vary each year depending on the number of applicants, and available funds. There will be a set amount of scholarship which will be re-evaluated every year to determine your ability to meet or exceed the prior year's scholarship amounts. The number of scholarships awarded will be based on the number of qualified applicants that you

would like to provide scholarships for. You expect this number to change each year.

The amount of educational scholarships/grants you make annually will vary each year based on the number of applicant, and the amount of available funds. For each scholarship year there will be a set amount, with the amount to be reevaluated the following year to determine whether you need to decrease/remain the same/increase the amount of scholarship funding.

Each individual who applies for an educational scholarship renewal will be given priority over other candidates, provided the individual maintains a 2.5 GPA in the program of choice, is in good standing with the school and is still enrolled in a two or four-year program. The individual will be required to provide copies of transcripts to you and will be required to fill out a new application for each year they wish to renew the grant. No grant renewal will be given to a student who does not provide transcripts of his/her coursework.

You will apply the scholarship/grant funds directly to the educational institution chosen on behalf of the student. Individuals who do not maintain a 2.5 GPA or better, will not be eligible to apply for a grant renewal.

The educational scholarship selection committee is comprised of two X employees and the head of a local high school.

The committees were selected based on their ability to be objective in respect to reviewing and selecting scholarship/grant recipients. Replacing members (including nomination and selection) of the selection committee will require a majority vote. You will not award any funds whatsoever to any past, present or future an employee, or business partner, or family member of your organization.

You will maintain all records relating to individual grants, including information obtained to evaluate grantee, identify whether a grantee is a disqualified person, establish the amount and purpose of each grant, and establish that you undertook the supervision and investigations of grants.

You will;

- (1) arrange to receive and review grantee reports annually and upon completion of the purpose for which the grant was awarded,
- (2) investigate diversions of funds from their intended purposes, and
- (3) take all reasonable and appropriate steps to recover diverted funds, ensure other grant funds held by a grantee are used for their intended purposes, and withhold further payments to grantees until you obtain grantees' assurances that future diversions will not occur and that grantees will take extraordinary precautions to prevent future diversions from occurring.

Basis for our determination

The law imposes certain excise taxes on the taxable expenditures of private foundations (Code section 4945). A taxable expenditure is any amount a private foundation pays as a grant to an individual for travel, study, or other similar purposes. However, a grant that meets all of the following requirements of Code section 4945(g) is not a taxable expenditure.

- The foundation awards the grant on an objective and nondiscriminatory basis.
- The IRS approves in advance the procedure for awarding the grant.
- The grant is a scholarship or fellowship subject to the provisions of Code section 117(a).
- The grant is to be used for study at an educational organization described in Code section 170(b)(1)(A)(ii).

Other conditions that apply to this determination

- This determination only covers the grant program described above. This approval will apply to succeeding grant programs only if their standards and procedures don't differ significantly from those described in your original request.
- This determination applies only to you. It may not be cited as a precedent.
- You cannot rely on the conclusions in this letter if the facts you provided have changed substantially. You must report any significant changes to your program to the Cincinnati Office of Exempt Organizations at:

Internal Revenue Service
Exempt Organizations Determinations
P.O. Box 2508
Cincinnati, OH 45201

- You cannot award grants to your creators, officers, directors, trustees, foundation managers, or members of selection committees or their relatives.
- All funds distributed to individuals must be made on a charitable basis and further the purposes of your organization. You cannot award grants for a purpose that is inconsistent with Code section 170(c)(2)(B).
- You should keep adequate records and case histories so that you can substantiate your grant distributions with the IRS if necessary.

Please keep a copy of this letter in your records.

If you have questions, please contact the person listed at the top of this letter.

Sincerely,

Director, Exempt Organizations